

§ 617.7130 What initial disclosures must a qualified lender make to a borrower?

(a) *Required disclosures—in general.* A qualified lender must disclose in writing:

- (1) The interest rate on the loan;
 - (2) The effective interest rate of the loan;
 - (3) The amount of stock or participation certificates that a borrower is required to purchase in connection with the loan and included in the calculation of the effective interest rate of the loan;
 - (4) All loan origination charges included in the effective interest rate;
 - (5) That stock or participation certificates that borrowers are required to purchase are at risk and may only be retired at the discretion of the board of the institution; and
 - (6) The various types of loan options available to borrowers, with an explanation of the terms and borrower rights that apply to each type of loan.
- (b) *Adjustable rate loans.* A lender must provide the following information for adjustable rate loans in addition to the requirements of paragraph (a) of this section:
- (1) The circumstances under which the rate can be adjusted;
 - (2) How much the rate can be adjusted at any one time and how much the rate can be adjusted during the term of the loan;
 - (3) How often the rate can be adjusted;
 - (4) Any limitations on the amount or frequency of adjustments; and
 - (5) The specific factors that the qualified lender may take into account in making adjustments to the interest rate on the loan.

§ 617.7135 What subsequent disclosures must a qualified lender make to a borrower?

- (a) *Notice of interest rate change.* (1) A qualified lender must provide written notice to a borrower of any change in interest rate on the borrower's existing loan, containing the following information:
- (i) The new interest rate on the loan;
 - (ii) The date on which the new rate is effective; and

(iii) The factors used to adjust the interest rate on the loan.

(2) If the borrower's interest rate is directly tied to a widely publicized external index, a qualified lender must provide written notice to the borrower of the rate change within forty-five (45) days after the effective date of the change.

(3) If the borrower's interest rate is not directly tied to a widely publicized external index, a qualified lender must send written notice to the borrower of the rate change within ten (10) days after the effective date of the change.

(b) *Notice of increase in stock purchase requirement.* If a qualified lender increases the amount of stock (or participation certificates) a borrower must own during the term of a loan, the lender must send a written notice to the borrower at least ten (10) days prior to the effective date of the increase. The notice must state:

- (1) The new effective interest rate on the outstanding balance for the remaining term of the borrower's loan;
- (2) The date on which the new rate is effective; and
- (3) The reason for the increase in the borrower stock (or participation certificates) purchase requirement.

Subpart C—Disclosure of Differential Interest Rates

§ 617.7200 What disclosures must a qualified lender make to a borrower on loans offered with more than one rate of interest?

A qualified lender that offers more than one rate of interest to borrowers must notify each borrower of the right to request a review of the interest rate charged on his or her loan no later than the time of loan closing. At the request of a borrower, the lender must:

- (a) Provide a review of the loan to determine if the proper interest rate has been established;
- (b) Explain to the borrower in writing the basis for the interest rate charged; and
- (c) Explain to the borrower in writing how the credit status of the borrower may be improved to receive a lower interest rate on the loan.

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